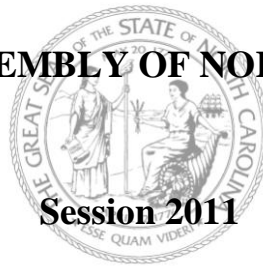


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2011

FISCAL ANALYSIS MEMORANDUM

[This confidential fiscal memorandum is a fiscal analysis of a draft bill, amendment, committee substitute, or conference committee report that has not been formally introduced or adopted on the chamber floor or in committee. This is not an official fiscal note. If upon introduction of the bill you determine that a formal fiscal note is needed, please make a fiscal note request to the Fiscal Research Division, and one will be provided under the rules of the House and the Senate.]

DATE: May 29, 2012

TO: Senators Rucho and Hartsell

FROM: Mark Bondo
Fiscal Research Division

RE: Senate Bill 444 (Unknown Edition)

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>
REVENUES:					
General Fund	\$0	\$0	\$0	\$0	\$0
Receipts	See Chart on Page Two and Assumptions and Methodology				
EXPENDITURES:	Total Amounts: See Chart on Page 2 for Additional Information				
General Fund*	\$367,742	\$312,911	\$1,276,338	\$3,479,472	\$3,556,168
Receipt Supported	\$65,352,226	\$32,723,144	\$35,313,628	\$35,522,173	\$35,606,832
POSITIONS (FTE)	14	40	84	84	84
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: University of North Carolina System					
EFFECTIVE DATE: When the bill becomes law					

Additional Fiscal Impact Detail from Page 1

	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>
REVENUES:					
General Fund	\$0	\$0	\$0	\$0	\$0
Receipts					
Debt Service Fee	\$5,434,536	\$5,791,315	\$6,175,553	\$6,589,587	\$7,035,964
Other Receipts	See Assumptions and Methodology				
EXPENDITURES:					
General Fund (Total)	\$367,742	\$312,911	\$1,276,338	\$3,479,472	\$3,556,168
Utility Savings*	\$0	(\$450,000)	(\$463,500)	(\$477,405)	(\$491,727)
GES* ^c		\$428,000	\$440,825	\$454,035	\$467,641
Building Reserves	\$367,742	\$334,911	\$1,299,013	\$3,502,842	\$3,580,254
Receipt Supported (Total)	\$65,352,226	\$32,723,144	\$35,313,628	\$35,522,173	\$35,606,832
Building Reserves	\$977,226	\$1,010,703	\$3,601,187	\$3,809,732	\$3,894,391
Planning	\$17,700,000				
New Projects	\$40,700,000				
Debt Service	\$5,975,000	\$31,712,441	\$31,712,441	\$31,712,441	\$31,712,441
POSITIONS (FTE):					
General Fund FTE			35	35	35
Receipt Supported FTE	14	40	49	49	49
* This reflects the Phytotron Energy Savings Performance Project at North Carolina State University (Guaranteed Energy Savings Contract). The associated utility savings are supported entirely by the General Fund. Under State Law, these are allowed to be considered “obligated resources” by the campuses.					

BILL SUMMARY: Section 1: Authorizes the construction or acquisition of capital improvement projects defined in subsequent sections by certain constituent institutions of the University of North Carolina (UNC) System and authorizes their financing with funds available to the institutions from gifts, grants, receipts, self-liquidating indebtedness, or other funds or a combination of these funds, but not including funds received from tuition or appropriations from the General Fund, unless previously authorized by General Statute.

Section 2: New Projects:

Projects By Campus	Amount
1. Appalachian State University	
Winkler Residence Hall – Supplement	\$3,000,000
Belk Residence Hall	\$9,765,000
2. East Carolina University	
Belk Residence Hall Demolition and Reconstruction	\$40,000,000
3. North Carolina State University	
Phytotron Energy Savings Performance Contract ¹	\$6,200,000
4. University of North Carolina – Asheville	
Mountain Area Health Education Center (MAHEC) Facility Acquisition	\$4,750,000
5. University of North Carolina-Chapel Hill	
Collaborative Science Building ²	\$95,680,000
Infrastructure Improvements – Phase 2	\$12,450,000
Chilled Water Infrastructure Improvements	\$11,700,000
Steam and Hot Water Infrastructure Improvements	\$12,000,000
Craige Parking Deck – Supplement	\$8,000,000
6. University of North Carolina – Charlotte	
Campus Infrastructure Development	\$49,500,000
Residence Hall Phase XII	\$38,407,410
Cedar/Hickory/Sycamore (Phase IV-A) Renovation ³	\$10,000,000
7. University of North Carolina – Greensboro	
1600 W. Lee Street Parking Lot Improvements	\$3,432,000
Reynolds and Grogan Residence Hall Renovation	\$16,640,000

¹ Implements energy conservation measures in the Phytotron Building.

² New building to increase space and allow for consolidation of various research and learning labs and centers.

³ The facility is a residence hall

Projects By Campus	Amount
8. Winston Salem State University	
Restore the Core – Phase I (Hill Hall) ⁴	\$13,500,000
New Student Housing Building 1 Acquisition	\$14,500,000
South Campus Acquisitions and Improvements ⁵	\$7,500,000
North Campus Acquisitions and Improvements ⁶	\$7,000,000
Total	\$364,024,410

Section 3: Authorizes projects for planning pursuant to Section 1 of this bill. The projects are as follows:

Planning Projects By Campus	Amount
1. North Carolina A&T University	
New Student Center	\$5,000,000
Williams Dining Hall Kitchen Replacement	\$500,000
2. North Carolina Central University	
New Student Health Services Center – Phase 1	\$700,000
3. University of North Carolina – Chapel Hill	
Athletic Facilities Master Plan and Phase 1 Improvements	\$5,000,000
Odum Village Replacement	\$5,000,000
4. Winston Salem State University	
Restore the Core – Phase II (Hauser, Pegram, Physical Plant)	\$1,500,000
Total	\$17,700,000

Section 4: At the request of the Board of Governors of the University of North Carolina, the Director of the Budget may authorize changes in project cost and financing. The Director is allowed to consult with the Joint Commission on Government Operations as necessary.

Section 5: Pursuant to G.S. 116D-26, the Board of Governors may, subject to the approval of the Director of the Budget, issue special obligation bonds of the Board of Governors specified in the previous sections. The total amount to be issued cannot exceed five percent of the costs specified in the previous sections, or altered subject to Section 4.

Section 6: Notwithstanding G.S. 116D-22(5) to allow UNC-Chapel Hill to locate the project outside of UNC-Chapel Hill's property boundaries and allows the University to accomplish this project

⁴ Renovates and expands Hill Hall. The new building will provide student service (advisors, retention specialists, etc).

⁵ Acquires and renovates Bowman-Gray Stadium, Fieldhouse, surrounding parking lots, Civitan Park, and construct a pedestrian bridge.

⁶ Constructs a parking deck

through either a direct ownership of the project or an arrangement with the Orange County Water and Sewer Authority.

Section 7: Allows Winston-Salem State University to enter into an arrangement with the Winston-Salem State University Foundation, Inc. and Winston Salem State University Housing Foundation, LLC to undertake the New Student Housing Building 1 Acquisition Project.

Section 8: Notwithstands G.S. 116D-22(5) and allows Winston Salem State University (WSSU) to locate the South Campus Acquisitions and Improvements Project outside of campus boundaries. This provision also allows the University to construct, acquire, and finance the project through direct ownership or through a long-term agreement with the City of Winston Salem.

Section 9: Amends G.S. 18B-1006(a) (Regulation of Alcoholic Beverages at Schools and College Campuses) to allow for the sale of alcohol at the Bowman Gray Stadium in association with a NASCAR sanctioned ¼ mile flat oval short track. Bowman Gray Stadium is currently owned by the City of Winston-Salem which leases the facility, in part, to Winston Salem Speedway Inc. for NASCAR related events.

ASSUMPTIONS AND METHODOLOGY: The following table uses information supplied by the University of North Carolina to estimate various impacts of the University of North Carolina Capital Projects. When a campus seeks to issue Special Indebtedness, they are required under G.S. 116D-26(b) to submit information to the General Assembly regarding these projects. The following table consolidates this information.

Table 1: Projects by Source of Funds and Operating Costs

Campus	Project	Amount	Source of Capital Funds	Effect of Debt on Students	Increase in Annual Operating Costs (1st Year)	General Fund Support of Operating Costs (1st Year)
ASU	Winkler Residence Hall – Suppliment	\$3,000,000	Housing Receipts		\$152,368	\$0
ASU	Belk Residence Hall	\$9,765,000	Housing Receipts		\$26,000	\$0
ECU	Belk Residence Hall Demolition and Reconstruction	\$40,000,000	Housing Receipts		\$662,540	\$0
NCSU	Phytotron Energy Savings Performance Contract	\$6,200,000	Energy Savings*		\$93,389	\$0*
UNCA	MAHEC Facility Acquisition	\$4,750,000	Debt service fee and other obligated resources	\$90	\$289,043	\$0

Campus	Project	Amount	Source of Capital Funds	Effect of Debt on Students	Increase in Annual Operating Costs (1st Year)	General Fund Support of Operating Costs (1st Year)
UNCCH	Infrastructure Improvements-Phase 2	\$12,450,000	Utility Receipts		\$0	\$0
UNCCH	Chilled Water Infrastructure Improvements	\$11,700,000	Utility Receipts		\$0	\$0
UNCCH	Steam and Hot Water Infrastructure Improvements	\$12,000,000	Utility Receipts		\$0	\$0
UNCCH	Craige Parking Deck	\$8,000,000	Parking Receipts		\$0	\$0
UNCC	Campus Infrastructure Development	\$49,500,000	Debt Service Fee	\$100	\$0	\$0
UNCC	Residence Hall Phase XII	\$38,407,410	Housing Receipts		\$1,863,457	\$0
UNCC	Cedar/Hickory/Sycamore (Phase IV-A) Renovation	\$10,000,000	Housing Receipts		\$98,031	\$0
UNCG	Reynolds and Grogan Residence Hall Renovation	\$16,640,000	Housing Receipts		\$0	\$0
WSSU**	Restore the Core Phase 1	\$13,500,000	Debt service fee, grants, gifts	\$115	\$179,664	\$179,664
WSSU	New Student Building Acquisition	\$14,500,000	Housing Receipts		\$654,365	\$0
WSSU**	South Campus Acquisitions and Improvements	\$7,500,000	Debt Service Fee	\$110	\$181,523	\$181,523
WSSU**	North Campus Acquisitions	\$7,000,000	Debt Service Fee	\$115	\$168,844	\$0
WSSU**	Restore the Core Phase 1	\$13,500,000	Debt service fee, grants, gifts	\$115	\$179,664	\$179,664
WSSU	New Student Building Acquisition	\$14,500,000	Housing Receipts		\$654,365	\$0
WSSU**	South Campus Acquisitions and Improvements	\$7,500,000	Debt Service Fee	\$110	\$181,523	\$181,523
WSSU**	North Campus Acquisitions	\$7,000,000	Debt Service Fee	\$115	\$168,844	\$0

* S.L. 2011-145, Sec 9.6D(h) allowed UNC to utilize General Fund appropriated utility savings as an obligated resource.

** There will be a reduction of \$115 per student debt service fee at WSSU due to the retirement of debt. There is an additional \$55 per student debt service fee to support the Student Union. The total debt service fee for FY 2012-13 is \$270.

Several of the projects listed above have existing cash on hand from the various sources provided above that will be used to support the specific projects. The table below presents how this will impact new debt issuances. In total, this will Bill will authorize \$323,324,410 in new debt at the campuses.

Table 2: Projects with Partial Cash Financing

Campus	Project	Total Project	Cash on Hand	New Debt
UNCCH	Infrastructure Improvements-Phase 2	\$12,450,000	\$10,000,000	\$2,450,000
UNCCH	Chilled Water Infrastructure Improvements	\$11,700,000	\$4,700,000	\$7,000,000
UNCCH	Steam and Hot Water Infrastructure Improvements	\$12,000,000	\$3,500,000	\$8,500,000
UNCC	Campus Infrastructure Development	\$49,500,000	\$14,500,000	\$35,000,000
UNCC	Cedar/Hickory/Sycamore (Phase IV-A) Renovation	\$10,000,000	\$2,500,000	\$7,500,000
WSSU	Restore the Core Phase 1	\$13,500,000	\$5,500,000	\$8,000,000
Total			\$40,700,000	\$68,450,000

Operating Expenditures: At each of the following campuses with projects authorized by this Bill, it is expected that there will be an increase in operating requirements and associated positions. These operating impacts are commonly referred to as building reserves. The University of North Carolina estimates that a number of projects will require General Fund support, as they are academic in nature. The table below reflects the estimated General Fund operating impact by campus where a request for General Fund support will be made, new positions are also included:

Table 4: General Fund Supported Building Reserves

Campus	2012-13	2013-14	2014-15	2015-16	2016-17
UNCCH	\$0	\$0	\$954,222	\$3,149,362	\$3,218,963
WSSU	\$367,742	\$334,911	\$344,791	\$353,480	\$361,292
Total	\$367,742	\$334,911	\$1,299,013	\$3,502,842	\$3,580,254
FTE	0	0	35	35	35

The following table reflects building reserves which will be paid from receipts at the campus:

Table 5: Receipt Supported Building Reserves

Campus	2012-13	2013-14	2014-15	2015-16	2016-17
ASU	\$0	\$49,079	\$177,139	\$182,208	\$186,234
ECU	\$0	\$0	\$345,527	\$662,540	\$677,182
UNCA	\$248,367	\$273,806	\$281,883	\$288,987	\$295,373
UNCC	\$0	\$0	\$2,047,153	\$1,907,316	\$1,949,468
UNCG	\$0	\$1,688	\$43,114	\$44,510	\$45,958
WSSU	\$728,859	\$686,130	\$706,371	\$724,171	\$740,176
Total	\$977,226	\$1,010,703	\$3,601,187	\$3,809,732	\$3,894,391
FTE	14	40	49	49	49

Debt Service Expenditures: In addition to operating expenditures, the campuses will also be required to pay debt service on the various debt financed projects. The table below reflects the estimated amount of additional debt service by campus:

Table 6: Estimated New Debt Service By Project

Campus	2012-13	2013-14	2014-15	2015-16	2016-17
ASU	\$0	\$1,276,500	\$1,276,500	\$1,276,500	\$1,276,500
ECU	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000
UNCA	\$475,000	\$475,000	\$475,000	\$475,000	\$475,000
UNCCH	\$0	\$12,163,000	\$12,163,000	\$12,163,000	\$12,163,000
UNCC	\$0	\$8,090,741	\$8,090,741	\$8,090,741	\$8,090,741
UNCG	\$0	\$2,007,200	\$2,007,200	\$2,007,200	\$2,007,200
WSSU	\$1,500,000	\$3,700,000	\$3,700,000	\$3,700,000	\$3,700,000
Total	\$5,975,000	\$31,712,441	\$31,712,441	\$31,712,441	\$31,712,441

One project is listed separately: the Phytotron Energy Savings Performance Contract at North Carolina State University (NCSU). S.L. 2011-145, Sec 9.6D(h) allowed UNC to utilize General Fund appropriated utility savings as an obligated resource for the purposes of Special Indebtedness. According to NCSU, the project will be financed solely from the General Fund appropriated utility account, which is \$28,691,627 for the current Fiscal Year. The project will be financed by savings associated with replacement and upgrade of systems at the Phytotron Building. Per the existing Statute, NCSU is responsible for any unrealized savings associated with this project. The table below presents the estimated energy savings, maintenance and verification costs (M&V Costs), debt service payments, and net savings. At the front of the Memo, M&V Costs and debt service are combined into the GESC line item.

Table 7: Phytotron Energy Savings Performance Contract

Costs	2012-13	2013-14	2014-15	2015-16	2016-17
Utility Savings	\$0	\$450,000	\$463,500	\$477,405	\$491,727
Debt Service	\$0	(\$418,000)	(\$430,825)	(\$444,035)	(\$457,641)
M&V Costs	\$0	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)
Net Savings	\$0	\$22,000	\$22,675	\$23,370	\$24,086

Revenues: Three Campuses have elected to institute a new debt service fee in order to finance the various projects. Utilizing historic enrollment data from UNC for 2001-2010, Fiscal Research staff has projected the average annual revenue increase at the Campuses.

Table 8: Estimated Debt Service Fee Revenue

Campus	Average Growth	2012-13	2013-14	2014-15	2015-16	2016-17
UNCA	2.52%	\$345,417	\$354,122	\$363,046	\$372,195	\$381,574
UNCC	4.22%	\$2,522,801	\$2,629,258	\$2,740,208	\$2,855,840	\$2,976,351
WSSU*	9.41%	\$2,566,318	\$2,807,934	\$3,072,298	\$3,361,552	\$3,678,039
Total		\$5,434,536	\$5,791,315	\$6,175,553	\$6,589,587	\$7,035,964

* Assumes the \$270 net fee increase at WSSU.

Other projects will be supported by other obligated resources at the campuses, such as housing receipts. As these reflect existing sources of revenue, an incremental increase in fees was not available. UNC currently does not anticipate increasing receipts specifically for these projects. However, should the existing revenue stream not be sufficient to cover related debt service, some increase may be necessary.

SOURCES OF DATA: The financial data for these charts was provided by the Division of Finance at the University of North Carolina System and North Carolina State University.

TECHNICAL CONSIDERATIONS: None